



**ANNUAL REPORT**  
**ON THE**  
**UNITED STATES GOVERNMENT**  
**2001**



**House Policy Committee**  
**Christopher Cox, Chairman**



**George R. Nethercutt, Jr.**

223 Cannon House Office Building

Washington, D.C. 20515

202-225-2006 FAX: 202-225-3392

e-mail: [www.house.gov/nethercutt/contact](http://www.house.gov/nethercutt/contact)

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Proudly representing Eastern Washington in the United States House of Representatives

January 2002

Dear Friend,

Every year corporations are required to submit annual reports to their shareholders describing the economic health of the company over the preceding year. Taxpayers are the shareholders of the federal government and are entitled to understand the consequences of budget decisions made in Washington, DC. I am enclosing this Statement of Revenues and Expenses for your review.

Fiscal Year 2001 ended on September 30, 2001, though ongoing budget negotiations delayed enactment of a majority of Fiscal Year 2002 spending bills until late in the year. There is much good news to report. Fiscal Year 2001 was the fourth consecutive year of a balanced Federal budget and in nominal terms, was the second largest combined budget surplus in the history of the United States. The second largest debt payment ever was made, in the amount of \$90 billion, bringing the total amount of debt paid back from 1998 to 2001 to \$453 billion. In 2001, the government returned \$41 billion of tax overpayments made by Americans.

The outlook for the coming year is less clear. The National Bureau of Economic Research has indicated that the economy entered a recession in March 2001. This slowdown has led to significant layoffs and hardships across the country, and has translated into declining federal revenues. This slowdown has been compounded by the events of September 11, 2001, which created greater economic uncertainty while also putting significant new demands on the federal government for emergency resources to support homeland defense. The ongoing war on terrorism has also required unanticipated spending. Falling revenues and emergency spending have led the Office of Management and Budget to project a budget deficit for Fiscal Year 2002.

The House of Representatives has responded to the President's call for action on three items considered central to economic recovery by passing an economic stimulus package, a comprehensive energy reform bill, and trade promotion legislation. The President has also called on Congress to limit spending to truly emergency items to mitigate the potential deficit. I have supported the President's agenda to put the economy back on track, and am committed to holding the line on unnecessary spending. Congress should support all essential measures to fund recovery and war efforts, but should not burden future generations with unnecessary debt.

Cordially,

A handwritten signature in blue ink, appearing to read "George", on a light blue rectangular background.

GEORGE R. NETHERCUTT, JR.  
Representative in Congress

## Statement of Revenues and Expenses

### Revenues

	<i>Fiscal Year</i> <sup>1</sup>		<i>Percent of Gross 2001</i>
	<i>2000</i>	<i>2001</i>	
Individual income taxes . . . . .	\$ 1,004,461,000,000	\$ 1,032,525,000,000	42%
Social insurance taxes <sup>2</sup> . . . . .	652,852,000,000	693,966,000,000	28%
User fees, earmarked taxes and receipts <sup>3</sup> . . . . .	395,050,000,000	414,830,000,000	17%
Corporation taxes . . . . .	207,288,000,000	151,075,000,000	6%
Excise taxes and customs duties . . . . .	88,779,000,000	85,848,000,000	4%
Miscellaneous receipts . . . . .	42,669,000,000	36,576,000,000	2%
Death taxes <sup>4</sup> . . . . .	29,010,000,000	28,400,000,000	1%
<b>Gross Revenues</b>	<b>\$ 2,420,109,000,000</b>	<b>\$ 2,443,220,000,000</b>	
Less: Tax Rebates <sup>5</sup>	—	(38,186,000,000)	
<b>Net Revenues</b>	<b>\$ 2,420,109,000,000</b>	<b>\$ 2,405,034,000,000</b>	

### Expenses

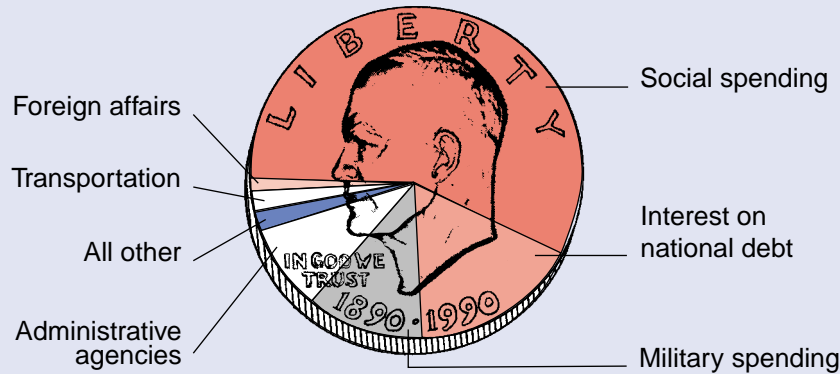
Social spending <sup>6</sup> . . . . .	\$ 1,214,302,000,000	\$ 1,287,695,000,000	57%
Interest on national debt . . . . .	362,118,000,000	359,508,000,000	16%
Military spending . . . . .	279,049,000,000	287,998,000,000	13%
Administrative agencies <sup>7</sup> . . . . .	194,417,000,000	198,808,000,000	9%
Transportation . . . . .	51,140,000,000	57,177,000,000	3%
State and foreign affairs <sup>8</sup> . . . . .	32,618,000,000	31,785,000,000	1%
Environment, fish, wildlife, parks and interior <sup>9</sup> . . . . .	28,432,000,000	30,307,000,000	1%
NASA . . . . .	13,443,000,000	14,094,000,000	*
Judiciary . . . . .	4,134,000,000	4,455,000,000	*
Emergency response to terrorism <sup>10</sup> . . . . .	—	2,328,000,000	*
Congress . . . . .	2,063,000,000	2,148,000,000	*
The President . . . . .	1,478,000,000	1,564,000,000	*
<b>Total Expenses</b>	<b>\$ 2,183,194,000,000</b>	<b>\$ 2,277,867,000,000</b>	
<b>Surplus<sup>11</sup></b>	<b>\$ 236,915,000,000</b>	<b>\$ 127,167,000,000</b>	

\* less than 1%

### Notes

1. The U.S. Government fiscal year begins on October 1 and ends on September 30.
2. Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
3. Represents receipts of federal departments and agencies netted from gross outlays in Treasury reports, such as proprietary receipts from the public, receipts from off-budget federal entities, and total undistributed offsetting receipts.
4. Repealed effective January 1, 2010, by Public Law 107-16 signed by President Bush on June 7, 2001.
5. The Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, provided individual income tax rebates of \$300 per individual, \$500 per head of household, and \$600 per married couple.
6. Includes arts, education, labor, health and human services, low income and public housing, WIC, welfare block grants, food stamps and other agricultural programs, and federal retirement programs (including Social Security).
7. Includes SBA, GSA, DOE, GAO, Commerce, CPB, District of Columbia, EEOC, Export-Import Bank, FCC, FDIC, FEMA, FTC, Government Printing Office, Justice, Library of Congress, National Archives and independent agencies.
8. Includes outlays for Department of State, Peace Corps, OPIC, AID, foreign military sales, and other international assistance programs.
9. Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, and major environmental programs of federal agencies.
10. Reflects outlays during the fiscal year ended September 30, 2001, for disaster relief and anti-terrorism initiatives authorized by Public Law 107-38 signed by President Bush on September 18, 2001.
11. The excess of Social Security taxes over outlays for Social Security was \$152 billion in 2000 and \$163 billion in 2001. Exclusion of Social Security taxes and benefit payments from revenues and expenses would result in a surplus of \$87 billion in 2000 and a deficit of \$33 billion in 2001.

## Composition of Federal Spending, 2001



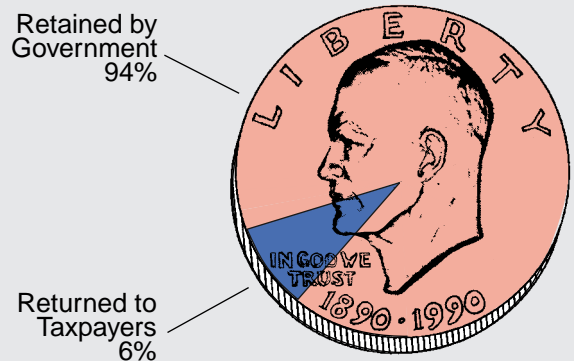
## Sources and Uses of Surplus Tax Revenues

For each year beginning with fiscal 1998, federal tax revenues have exceeded expenses. The cumulative tax surplus during these fiscal periods, prior to rebates, was \$595.9 billion.

The change from 28 years of deficits (fiscal years 1970-1997) to four consecutive years of surpluses resulted from sustained economic growth that produced record tax revenues. At the same time, spending growth was held below the rate of growth in revenues.

Of the \$595.9 billion in surpluses, 94% was retained by the federal government and applied to reduction of indebtedness. Pursuant to Public Law 107-16, signed by President Bush on June 7, 2001, the remaining \$38.2 billion, or 6% of the tax surplus, has been returned to taxpayers.

### Application of Tax Surpluses



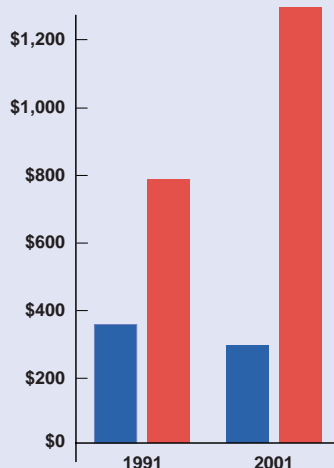
## Military and Social Spending as a Share of the Budget

**Actual Spending**

Billions

■ Military

■ Social



Since the end of the Gulf War in 1991, annual military spending has declined in actual dollars by \$61.8 billion. During the same period, military spending has declined as a share of the budget from 20% to 13%. By contrast, military spending constituted 50% of the federal budget during the administration of President Kennedy.

The decline in military spending has been accompanied by growth in social spending that has exceeded the growth in the U.S. economy. Social spending has also grown as a share of total spending. From 1991 to 2001, spending on social services increased from 45% of the budget to 57%.

Congressional appropriations in response to the attacks on the Pentagon and World Trade Center, which occurred three weeks before the end of fiscal 2001, had only a minimal effect on results. Emergency legislation enacted after September 11, 2001 will be more fully reflected in the results for fiscal 2002.

**Share of the Budget**

■ Military

■ Social

